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SUBJECT: Vietnam Addresses Workforce Anxiety in APEC Conference

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¶1. (SBU) SUMMARY: Dealing with the anxieties and needs of the Vietnamese workforce as the country becomes more integrated into the world economy is high on the minds of the Vietnamese. This explains the huge turnout for a two-day APEC labor conference in Hanoi. Some 175 participants from Vietnam and 14 of APEC's 21 economies attended "Strategies for Workforce Development: Keys to Success in the 21st Century" on September 19 and 20. One of the most welcome developments was the energized performance of MOLISA Vice Minister Nguyen Luong Trao, who actively engaged multiple panelists and took copious notes throughout the conference. Diverse experts also made specific recommendations on the steps Vietnam should take to deal with the challenges the country's labor force faces. End summary.

¶2. (SBU) Dealing with workforce anxiety as Vietnam becomes more integrated into the world economy is high on the minds of the Vietnamese. As this year's host of the Asia-Pacific Economic Cooperation (APEC) forum, Vietnam used its influence to get APEC to address this issue. Earlier this year it made a pitch to focus on the workforce challenges of globalization and succeeded. The APEC Human Resources Development Working Group approved the conference in May at the Second APEC Senior Officials' Meeting (SOM-2). Vietnam also helped shape the agenda for the conference and provided speakers for most of the panels. It also designed one plenary session, "Vietnam and the Forces of Globalization-Building a Competitive Workforce," to focus in particular upon Vietnam's workforce needs in the aftermath of its looming WTO entry.

¶3. (U) The U.S. Department of Labor provided most of the funding for the conference. It co-sponsored the two-day event in Hanoi with Vietnam's Ministry of Labor, Invalids and Social Affairs (MOLISA) and the Department of State. The State Department also contributed money and the Embassy provided substantial planning and logistical support. "Strategies for Workforce Development: Keys to Success in the 21st Century" took place on September 19 and 20. About 175 participants, the vast majority Vietnamese, attended the event. The others came from 14 of APEC's 21 economies. About half of the Vietnamese participants came from the private sector. U.S. firms, including Intel, Microsoft and Ford Vietnam, provided human resources specialists from their offices in Vietnam. Union officials, educators, employment service center employees and government policymakers in the labor, science and technology and education fields also participated. Representatives of the World Bank, the International Labor Organization and a range of local and international media also attended.

14. (U) In their opening remarks, MOLISA Vice Minister Nguyen Luong Trao, Ambassador Marine, and Department of Labor Deputy Assistant Secretary Douglas Small all highlighted the challenges that

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workforces face as globalization increases competition worldwide. "In a world where businesses can choose among dozens of countries for their production sites, creative, skilled and hardworking employees can make all the difference between growth and stagnation for a nation's economy," Ambassador Marine said. At a media roundtable for local and international journalists, DAS Small emphasized the importance of cooperation between the government and private sector. Workforce development was vital for general economic development, he added. Small endorsed the remarks of keynote speaker Martin Bean, the Global Director of Education for Microsoft that "Business goes where the talent is." Asked at a press briefing for his advice on what the Government of Vietnam (GVN) should do, Small said the GVN needs to listen carefully to the private sector to determine its educational emphases. Several Vietnamese news outlets, including Vietnam News, Vietnam Economy, and Voice of Vietnam, covered the event.

15. (U) World Bank Vietnam Chief Economist Martin Rama said Vietnam needs to focus on implementing WTO-compatible labor market regulations, improving social protections and boosting skills for development. He observed that Vietnam's minimum wage laws are currently not WTO-compatible because they apply different wage rates to Vietnamese and foreign-owned firms. He advised Vietnam to create a more flexible and market-responsive wage setting regulations for those working above minimum wage. (Note: Under current rules, the wage rates for all Vietnamese workers are set as a multiple of the minimum wage. Thus, an increase in the minimum wage results in automatic raises across the wage spectrum. End note.) In Rama's view, the wave of labor unrest in Vietnam earlier in 2006 demonstrates the inadequacy of Vietnam's labor dispute resolution mechanisms. He recommended that Vietnam improve the social safety net for the tens of thousands of workers who stand to lose their

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jobs as a result of state-owned enterprise restructuring. Because employers usually provide training only in specific job-related skills, Rama argued that Vietnam should focus its resources on solid basic education, particularly at the tertiary level.

16. (U) David Knapp, the General Director of Motorola Vietnam, noted that aside from boosting basic engineering skills, firms such as his need more employees with drive, creativity and analytical skills. He recommended that Vietnam should eliminate the current regulation that limits the number of foreign employees to three percent. Strategically, the country should encourage knowledge transfer from abroad, and the best way to do so was by removing blocks to foreigners working in Vietnam. Ta Doan Trinh, the Director of the Vietnam Science and Technology Evaluation Center, decried low education levels in Vietnam. With a population of 83 million, the country has only 2 million citizens with university degrees. Only 16,000 Vietnamese have master's degrees, he added.

Vice Minister Actively Engages  
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17. (SBU) The most welcome development was the active engagement by MOLISA Vice Minister Nguyen Luong Trao. He visited Washington in August to participate in the 2006 Labor Dialogue at the Department of Labor. The standard practice in Hanoi is that Vice Ministers, if they show up at all, make canned speeches then disappear. This was not the case at this conference. Trao stayed the entire first morning. He returned for the entire second day and even asked at the last minute to deliver closing remarks. He took lengthy notes, asked several questions and grilled panels of American, Australian and Mexican experts with questions about labor market information and building effective public workforce systems. "The views and experiences of the APEC economies are extremely useful to Vietnam. It will help us prepare our own strategy to face the challenges and

opportunities of globalization, and I look forward to continuing to exchange views after this," he said.

¶8. (U) Other sessions at the conference focused on strategies to create innovative public-private partnerships, education and training, youth and the role of entrepreneurship in economic growth. The last session described Topic64, an innovative public-private partnership involving Microsoft Corp., USAID, a local NGO, Qualcomm, Electricity Vietnam, Vietnam's Ministry of Science and Technology, among others. The project will bring an information technology curriculum to computer laboratories in community colleges in each of Vietnam's 64 provinces.

Comment  
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¶9. (U) The conference was a success in terms of the Mission's broad economic strategy for economic prosperity. Labor is an integral element of the process. Vietnam will need to create more jobs to absorb a growing workforce. The private sector has created most of the new jobs in the country. It was good for the Vice Minister to hear from the firms that are creating jobs what the challenges are.

¶10. (U) This cable has been cleared by the Department of Labor.

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